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FARMERS & MERCHANTS
TRUST CO. LTD.

ANNUAL REPORT
OCTOBER 31st, 1966

OFFICERS

S. HANEN, *Chairman of the Board*

DONALD A. ROSS, *President*

A. RAYMOND CRÉPAULT, Q.C., *Vice-President*

NOLAN E. HINMAN, *General Manager*

GORDON C. ENNIS, *Secretary-Treasurer*

DIRECTORS

SIDNEY A. BENT

A. RAYMOND CRÉPAULT, Q.C.

H. T. R. GREGG

S. HANEN

J. E. H. LOVICK

NORMAN P. PALLESEN

DONALD A. ROSS

BRANCH MANAGERS

WILLIAM E. TANNER, *Supervisor of Branches*

JAMES W. CLARK

LEO L. DAVIDSON

DONALD T. MCINTOSH

CLARENCE A. REMPEL

IRVIN B. RUSSELL

FREDERIC D. SARAGEA

FRANK L. SMART

BENJAMIN B. STONE

GARRY B. WRIGHT

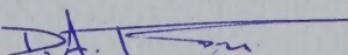
PRESIDENT'S REPORT FOR 12 MONTH PERIOD ENDED OCTOBER 31st, 1966

Your company continued to grow in 1966 despite the difficult conditions arising from high interest rates.

Volume of deposits and investment certificates increased from \$23,650,000 to \$27,000,000 while mortgage investment was increased by approximately \$800,000. The small increase in mortgage investment for the year reflects the company's adjustment to regulations affecting all Alberta Trust Companies, which will require that mortgage investments comprise not more than 65% of gross assets. These regulations, in requiring higher liquidity, have the effect of inhibiting earnings particularly during the period of adjustment.

There is legislation pending relative to the regulation of banks, trust companies and other financial institutions which I sincerely feel will be beneficial to the financial community. I feel it prudent to delay plans for any expansion of your company's business pending clarification of such regulations.

I would like to take this opportunity to express my appreciation to all of the staff of your company, who have devoted their best efforts to the continuing improvement of this business.



DONALD A. ROSS
President

FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Company

Assets	1966	1965	CAPITAL
CASH	\$ 125,637	\$ 272,158	
ACCOUNTS AND DIVIDENDS RECEIVABLE	121,072	142,752	
INVESTMENT IN MARKETABLE SECURITIES , at cost (Note 4) (Market value 1966 — \$1,100,720; 1965 — \$1,493,148)	1,308,948	1,563,574	
AGREEMENT FOR SALE	97,280	—	
OTHER ASSETS	23,525	30,894	
LAND, BUILDINGS AND OFFICE EQUIPMENT , at cost less accumulated depreciation 1966 — \$132,853; 1965 — \$142,038	463,006	512,425	
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2,139,468 2,521,803

GUARANTEED

CASH AND BANK DEPOSIT RECEIPTS	1,727,503	824,321
INVESTMENT IN MARKETABLE SECURITIES , at cost (Note 4) (Market value 1966 — \$4,988,861; 1965 — \$3,625,068)	5,357,326	3,685,816
MORTGAGES AND AGREEMENTS RECEIVABLE , net	19,972,603	19,140,031
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**CONSOLIDATED STATEMENT
AND RETAINED EARNINGS
FOR THE YEAR ENDED**
(with unconsolidated)

Profit before the following
 Interest on savings deposits and
 guaranteed savings certificates

Provision for income taxes (None)

Net profit from operations
 special provisions
 Special provisions — Write-off investment in wholly-owned subsidiary
 — Transfer to mortgage reserve

Net profit for the year
 Retained earnings, beginning of year

Dividends paid on preference shares

Retained earnings at end of year

CONSOLIDATED BALANCE SHEET — OCTOBER 31st, 1966

(with unconsolidated figures for 1965)

ACCOUNT

	<u>Liabilities</u>	<u>1966</u>	<u>1965</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Note 2)	\$ 132,371	\$ 554,864	
MORTGAGE & AGREEMENT PAYABLE	105,100		120,010
SHAREHOLDERS' OWNERSHIP:			
Capital stock —			
Authorized —			
100,000 7% cumulative preference shares of a par value of \$10.00 each	250,000	250,000	
Issued —			
1,000,000 common shares of a par value of \$1.00 each	625,000	625,000	
Premium on issue of common shares	562,500	562,500	
Reserve fund	275,000	275,000	
Retained earnings, per statement attached	189,497	134,429	
	<u>1,901,997</u>	<u>1,846,929</u>	
	<u>2,139,468</u>	<u>2,521,803</u>	

LAST ACCOUNT

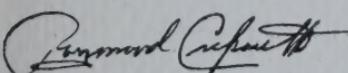
SAVINGS DEPOSITS	5,294,044	4,078,368
GUARANTEED SAVINGS		
CERTIFICATES	21,763,388	19,571,800

APPROVED ON BEHALF OF THE BOARD:



Director

27,057,432	23,650,168
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Director

<u>\$29,196,900</u>	<u>\$26,171,971</u>
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STATEMENT OF PROFIT AND LOSS

EARNINGS

OCTOBER 31st, 1966

(figures for 1965)

	<u>1966</u>	<u>1965</u>
\$ 1,623,327	\$ 1,426,843	
1,460,759	1,261,385	
162,568	165,458	
—	5,000	
162,568	160,458	
diary	—	100,000
90,000	—	
72,568	60,458	
134,429	91,471	
206,997	151,929	
17,500	17,500	
\$ 189,497	<u>\$ 134,429</u>	

Calgary, Alberta
January 4th, 1967

AUDITOR'S REPORT

To the Shareholders of

FARMERS & MERCHANTS TRUST CO. LTD.

We have examined the consolidated balance sheet of Farmers & Merchants Trust Co. Ltd. and subsidiary company as at October 31st, 1966 and the consolidated statement of profit and loss and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances including verification of cash, bank balances and securities of the companies. All our requirements as auditors have been complied with.

We report that the financial statements are in agreement with the books of the companies and that all the transactions of the companies that have come within our notice during the current year have, in our opinion, been within the powers of the companies.

After due consideration we have formed an independent opinion of the position of the companies as at October 31st, 1966 and, except for the effect, if any, of the litigation referred to in Note 3 and subject to the realization of the cost values of the investments in marketable securities referred to in Note 4, we report that in our opinion and according to the best of our information and the explanations given to us the above consolidated balance sheet and related consolidated statement of profit and loss and retained earnings present fairly the financial position of the companies as at October 31st, 1966 and the results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & Co.
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS
OCTOBER 31st, 1966

1. The consolidated financial statements for the year ended October 31st, 1966 include the accounts of the company and its wholly owned subsidiary, Town & Country Apts. Ltd. The figures for 1965 do not include the accounts of Town & Country Apts. Ltd. but their inclusion would not have materially changed the figures as presented.
2. In 1966 the company changed its practice of including its liability for accrued interest on savings deposits and guaranteed savings certificates in accounts payable and accrued liabilities to including the liability in savings deposits and guaranteed savings certificates. This change resulted in a decrease in accounts payable and accrued liabilities and a corresponding increase in savings deposits and guaranteed savings certificates of \$446,608 as at October 31st, 1966.
3. The company has been named as co-defendant in a legal action in Alberta in which damages of \$2,500,000 have been claimed relative to a certain mortgage loan transaction in the Province of Ontario. Counsel for the company have advised that in their opinion the company has a good defence to the action and, therefore, no provision has been made for any possible loss.
4. No provision has been made for the decline in the market values of marketable securities below cost because, in the opinion of management, such decline in value represents a temporary market fluctuation. X
5. No income taxes are payable for the current year due to net dividends from Canadian companies not being taxable and the carry forward of prior years' tax losses.

OFFICES

CALGARY

EDMONTON

GRANDE PRAIRIE

LETHBRIDGE

MEDICINE HAT

RED DEER

MONTREAL

NASSAU